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NO. 88-1562

In The
Supreme Court of the United States
October Term, 1988

HOLLISTER INCORPORATED,

Petitioner,

vs.

KINGSDOWN MEDICAL CONSULTANTS, LTD.
and E.R. SQUIBB & SONS, INC.,

Respondents.

OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR RESPONDENTS

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QUESTIONS PRESENTED

The first two issues raised by Hollister are more properly presented as:

1. Whether the Court of Appeals for the Federal Circuit's reversal of the district court was proper under *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 105 S.Ct. 1504 (1985); *United States v. United States Gypsum Co.*, 333 U.S. 364, 68 S.Ct. 525 (1948) and Rule 52(a) Fed.R.Civ.P. because on review of the entire evidence it was left with the definite and firm conviction that a mistake had been committed.

2. Whether the Court of Appeals for the Federal Circuit improperly made findings and whether it properly found that the district court had abused its discretion in finding inequitable conduct because the district court failed to consider the totality of the evidence and failed to address evidence which was necessary in order to properly draw the inferences made by the district court.

RULE 28.1 STATEMENT

Kingsdown Medical Consultants, Ltd. and E. R. Squibb & Sons, Inc. are wholly-owned subsidiaries of Squibb Corporation, a corporation of Delaware having its headquarters in Princeton, New Jersey.

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BRIEF FOR RESPONDENTS

Respondents, Kingsdown Medical Consultants, Ltd. and E.R. Squibb & Sons, Inc. (herein collectively referred to as "Squibb"), respectfully pray for denial of the petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit ("the Federal Circuit") in its Cause No. 88-1265. The judgment was entered on December 21, 1988.

OPINIONS BELOW

Kingsdown Medical Consultants, Ltd. and E. R. Squibb & Sons, Inc. v. Hollister Incorporated, 863 F.2d 867 (Fed. Cir. 1988). The opinion of the court is reproduced in Hollister's Petition at pages 1a-17a.[1]

Kingsdown Medical Consultants, Ltd. and E. R. Squibb & Sons, Inc. v. Hollister Incorporated, Case Number 84 C 6113, judgment entered January 25, 1988 as amended on February 12, 1988 in the United States District Court for the Northern District of Illinois. This opinion was not published. It is reproduced in Hollister's Petition at pages 18a-27a.

THE CONSTITUTIONAL PROVISIONS, STATUTES, RULES AND REGULATIONS INVOLVED

Patent Statutes

28 U.S.C. § 46:

Assignment of judges; panels; hearings; quorum

(a) Circuit judges shall sit on the court and its panels in such order and at such times as the court directs.

• • • •

(c) Cases and controversies shall be heard and determined by a court or panel of not more than three judges (except that the United States Court of Appeals for the Federal Circuit may sit in panels of more than three judges if its rules so provide), unless a hearing or rehearing before the court in banc is ordered by a majority of the circuit judges of the circuit who are in regular active service. A court in banc shall consist of all circuit judges in regular active service, or such number of judges as may be prescribed in accordance with section 6 of Public Law 95-486 (92 Stat. 1633), except that any

[1] Squibb will indicate references to the opinions by citations to the appendix page numbers of Hollister's Petition as "H.P."

senior circuit judge of the circuit shall be eligible to participate, at his election and upon designation and assignment pursuant to section 294(c) of this title and the rules of the circuit, as a member of an in banc court reviewing a decision of a panel of which such judge was a member.

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As amended Oct. 20, 1978, Pub.L. 95-486, § 5(a), (b), 92 Stat. 1633; Apr. 2, 1982, Pub.L. 97-164, Title I, § 103, Title II, § 205, 96 Stat. 25, 53.)

Rules of Practice of the Patent and Trademark Office

37 C.F.R. § 1.60:

Continuation or divisional application for invention disclosed in a prior application.

(a) A continuation or divisional application (filed under the conditions specified in 35 U.S.C. 120 or 121 and § 1.78(a)), naming as inventors the same or less than all the inventors named in a prior application and which discloses and claims only subject matter disclosed in the prior application may be filed as a separate application before the patenting or abandonment of or termination of proceedings on the prior application.

(b) An applicant may omit signing of the oath or declaration in a continuation or divisional application if (1) the prior application was a complete application as set forth in § 1.51(a), (2) applicant files a true copy of the prior complete application as filed including the specification (including claims), drawings, oath or declaration showing the signature or an indication it was signed, and any amendments referred to in the oath or declaration filed to complete the prior application, and (3) the inventors named in the continuation or divisional application are the same or less than all the inventors named in the prior application. The copy of the

prior application must be accompanied by a statement that the application papers filed are a true copy of the prior application and that no amendments referred to in the oath or declaration filed to complete the prior application introduced new matter therein. Such statement must be by the applicant or applicant's attorney or agent and must be a verified statement if made by a person not registered to practice before the Patent and Trademark Office. Only amendments reducing the number of claims or adding a reference to the prior application (§ 1.78(a)) will be entered before calculating the filing fee and granting the filing date. If the continuation or divisional application is filed by less than all the inventors named in the prior application a statement must accompany the application when filed requesting deletion of the names of the person or persons who are not inventors of the invention being claimed in the continuation or divisional application.

[50 FR 8379, Mar 7. 1985]

Federal Rules of Appellate Procedure

Rule 34: Oral Argument

(a) In General; Local Rule. Oral argument shall be allowed in all cases unless pursuant to local rule a panel of three judges, after examination of the briefs and record, shall be unanimously of the opinion that oral argument is not needed. Any such rule shall provide any party with an opportunity to file a statement setting forth the reasons why oral argument should be heard. A general statement of the criteria employed in the administration of such local rule shall be published in or with the rule and such criteria shall conform substantially to the following minimum standard:

Oral Argument will be allowed unless

(1) the appeal is frivolous; or

(2) the dispositive issue or set of issues has been recently authoritatively decided; or

(3) the facts and legal arguments are adequately presented in the briefs and record and the decisional process would not be significantly aided by oral argument.

Rule 35: Determination of Causes by the Court In Banc

(a) When Hearing or Rehearing in Banc Will be Ordered. A majority of the circuit judges who are in regular active service may order that an appeal or other proceeding be heard or reheard by the court of appeals in banc. Such a hearing or rehearing is not favored and ordinarily will not be ordered except (1) when consideration by the full court is necessary to secure or maintain uniformity of its decisions, or (2) when the proceeding involves a question of exceptional importance.

• • • •

(As amended Apr. 30, 1979, eff. Aug. 1, 1979.)

STATEMENT OF THE CASE

Petitioner Hollister has applied for a writ of certiorari seeking review of a decision of the Court of Appeals for the Federal Circuit reversing a judgment of inequitable conduct in the procurement of U.S. Patent 4,460,363 ("the '363 patent"). The Federal Circuit determined that the district court's finding of inequitable conduct was clearly erroneous and an abuse of discretion.

The district court based its finding of inequitable conduct on statements made by Squibb's attorney in a preliminary amendment filed in a Rule 60[2] continuation application that two of the claims, which are now claims 9 and 24 of the patent-in-suit[3], had been allowable and allowed in the parent

[2] 37 C.F.R. § 1.60.

[3] Claim 9 of the patent-in-suit was claim 43 in the continuation application which resulted in the patent. Claim 43 of the continuation application corresponds to claim 50 of the original application on which the continuation was based.

application. However, the particular claims presented, although held by the examiner to contain allowable subject matter, had been rejected during prosecution of the parent application as indefinite under 35 U.S.C. § 112 and subsequently amended and allowed.

The district court found that Squibb's patent attorney was grossly negligent in not catching the mistake because a mere ministerial review of the language of amended claim 50 in the parent application and of claim 43 in the continuation application would have uncovered the error, and because Squibb's patent attorney had had several opportunities to make that review. The district court found evidence of an intent to deceive the United States Patent and Trademark Office ("PTO"), inferring motive to deceive because Squibb's attorney had viewed the Hollister appliance before filing the application and because amended claim 50 allegedly gave Hollister a defense to infringement that unamended claim 50 (claim 9 of the '363 patent) did not. On appeal, the Federal Circuit, applying the clearly erroneous standard, was left with the definite and firm conviction that the district court had committed a mistake. (H.P. 15a) The Federal Circuit found there was only evidence of inadvertence or mistake without intent to deceive.[4]

The Federal Circuit looked at the undisputed facts which support a finding that the district court abused its discretion. (H.P. 10a) The Federal Circuit held that the intent element of inequitable conduct cannot always be inferred from a pattern of conduct that may be described as gross negligence. (H.P. 9a) Further, the Federal Circuit found that the district court's conclusion that Squibb had motive to incorrectly label claim 50 as allowed instead of allowable was clearly erroneous because the district court

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[4] To conclude inequitable conduct occurred, findings of intent and materiality by clear and convincing evidence are required. The Federal Circuit found no need to address materiality because of its decision on intent. (H.P. 8a)

did not determine whether Squibb needed claim 9 to properly bring suit for infringement. (H.P. 14a-15a) In fact, the district court refused to decide whether other claims were infringed or whether Squibb could reasonably have believed they were. (H.P. 14a) The Federal Circuit rejected the district court's apparent use of Squibb's continuation of the suit after the inequitable conduct charge was made as a basis for intent. (H.P. 15a)

The Federal Circuit met in banc to clarify existing precedent as to what proper inferences may be made from a finding of gross negligence, and as to the standard of review of gross negligence as an equitable finding. (H.P. 16a, 17a)

The Prosecution History Of The '363 Patent Pertinent To The District Court's Clearly Erroneous Finding Of Inequitable Conduct

The language of claim 9 of the patent-in-suit was the focus of the district court's holding. It states in pertinent part:

> 9. An ostomy appliance comprising a pad or dressing having a generally circular aperture for passage of the stoma, said pad or dressing aperture encircled by a coupling member and an ostomy bag also having a generally circular aperture for passage of the stoma, said bag aperture encircled by a second coupling member...

The evidence showed that the attorney hired by Squibb to prepare the preliminary amendment mistakenly indicated in the preliminary amendment that the claim which led to claim 9 had been indicated to be "allowable" and "allowed", when in fact the specific claim of the parent application had been indicated to contain allowable subject matter but had been rejected under 35 U.S.C. § 112 for indefiniteness over the meaning of the word "encircled" as describing the positioning of the coupling around the aperture in the pad. The examiner reasoned that "encircled" could only describe a planar surface.

Claim 9 set out above was unamended claim 50 in the parent application. As discussed above, unamended claim 50 was found to contain allowable subject matter; in an amendment responsive to a rejection, independent claim 50 was amended. In particular, in the parent application Squibb's attorney deleted the language stating the "aperture encircled by" and inserted therefore "a coupling member extending outwardly from said outer pad or dressing surface and encircling the intersection of said aperture and said outer pad or dressing surface...."

Following this amendment, an advisory action on form PTOL-303, Paper No. 17, was mailed September 27, 1980, and the examiner checked box 2:

> Newly proposed or amended claims 50, 7, 8, 13-18, 52, 51, 10, 11 would be allowed if submitted in a separately filed amendment cancelling the nonallowable claims.

The examiner also checked box 3 to the following effect:

> Upon the filing of an appeal, the proposed amendment will be entered and the status of the claims in this application would be as follows: Claims 50, 7, 8, 13-18, 52, 51, 10, 11 would be allowable.

Squibb consulted with outside counsel to prepare a continuation application, instead of waiting for the appeal decision, because Hollister had entered the market with its two-piece ostomy system. In the preliminary amendment filed in the continuation, all the originally filed claims were cancelled, and newly-drafted broader claims and some claims from the parent application were renumbered and submitted.

In preparing and filing the continuation application, the outside counsel for Squibb had two versions of "claim 50" in the parent application, an unamended rejected version and an amended allowed version. As is common, counsel renumbered and transferred into the continuation all claims "previously allowed" *en masse*. Claim 43 was copied from

the rejected version of claim 50 rather than amended claim 50. This error led to the incorrect listing of claim 43 as corresponding to allowed claim 50 and to the incorporation of claim 43 as claim 9 in the patent. Squibb's in-house counsel approved the continuation application for filing and did not catch the mistake.

Proceedings In The District Court

The district court rendered its opinion and announced its decision orally from the bench. (H.P. 18a-27a)

The district court concluded that the representation that claim 43 corresponded to allowable claim 50 was material and rejected Squibb's argument that the examiner must have made an independent examination of claim 43. (H.P. 21a, 22a) The district court found the materiality element of inequitable conduct, because it concluded the allowability of claim 50 turned on the amendment overcoming the § 112 rejection in the parent application. (H.P. 25a) Squibb's knowledge of materiality was inferred from claim 50 having been deemed allowable in the parent application only after the change in claim language.

The district court found evidence of deceitful intent because of its view that Squibb was negligent in not noticing the error originally and was repeatedly negligent in not noticing the error at subsequent points in the prosecution of the patent. (H.P. 26a) The district court concluded that Squibb's acts indicated evidence of an intent to deceive the PTO. (H.P. 26a) The district court stated that the narrower language of amended claim 50 gave Hollister a possible defense that Hollister's coupling member did not encircle the insertion of the aperture in the pad surface because it is connected to the pad by a web of plastic and that Squibb's patent attorney must have perceived this defense. (H.P. 25a)

The district court expressly declined to make any finding on whether the accused device would or would not infringe any of Squibb's patent claims, but motive to deceive

the PTO was inferred because Squibb's patent attorney viewed the Hollister appliance after he had amended claim 50 and before the continuation application was filed. (H.P. 25a)

The district court rejected Squibb's argument that unamended claim 50, which became claim 43 and then claim 9 of the '363 patent, satisfied the requirements of § 112 but did not expressly or unequivocally decide that question. (H.P. 25a)

Proceedings In The Court of Appeals For The Federal Circuit

The Federal Circuit properly reversed the district court's conclusion that Squibb was guilty of inequitable conduct. (H.P. 1a-17a) The Federal Circuit, applying the clearly erroneous standard of Rule 52(a) of the Federal Rules of Civil Procedure, found that the district court abused its discretion by finding intent. Specifically, the Court of Appeals for the Federal Circuit found that in light of the undisputed facts indicating the relative ease with which the ministerial error could have occurred and remained unnoticed, there was insufficient evidence to warrant a finding of intent to deceive the PTO. (H.P. 10a)

Moreover, the Federal Circuit found that the district court's finding of evidence of actual intent was clearly erroneous. Although the district court had stated there was no evidence to support Squibb's contention that the examiner examined the claims, the Federal Circuit listed nine uncontested facts supporting such contention. (H.P. 11a)

The Federal Circuit further found the district court's opinion of inequitable conduct to be clearly erroneous because the district court improperly inferred a motive for filing unamended claim 50. (H.P. 14a) In addition, the district court's inference was also improper because it had not looked at the totality of the situation, that is, whether Squibb needed claim 9 to assert infringement because no

other claims would have been infringed. Since the district court refused to address infringement, its inference was improper. (H.P. 14a, 15a) Also, since Hollister's counsel had previously rendered an opinion that the amended version of claim 50 was subject to infringement by Hollister's device, the inference of intent was ill-founded. (H.P. 15a, n.13)

SUMMARY OF ARGUMENT

The Petition for Writ of Certiorari should be denied because the Court of Appeals for the Federal Circuit correctly applied Rule 52(a) of the Federal Rules of Civil Procedure, and the rule espoused by the Supreme Court in *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 105 S.Ct. 1504 (1985). The Federal Circuit did not simply substitute its judgment for that of the trial court in relation to the factual finding of intent. Rather, the Federal Circuit reviewed the entire record including the uncontested facts and the totality of circumstances and was "forced to the definite and firm conviction that a mistake has been committed, amounting to an abuse of discretion." (H.P. 15a) Further, the Federal Circuit properly found that the district court improperly drew inferences because it had not addressed evidence necessary in order to properly draw the inferences it made.

The in banc ruling by the Federal Circuit did not prejudice Hollister. The in banc ruling simply clarified the existing law. Hollister argues that the Federal Circuit raised the standard of proof required to establish the defense of inequitable conduct by requiring, for the first time, more than gross negligence. In reality, the Federal Circuit merely clarified that a finding of gross negligence does not compel a finding of intent to deceive in all circumstances. (H.P. 16a) Further, Hollister cannot show any prejudice because of the numerous uncontested facts cited by the Federal Circuit, including that expert witnesses for each party testified they saw no evidence of deceptive intent. Hollister's objections to not being afforded the opportunity to brief or argue before the in

banc panel is unfounded because the Federal Circuit is not required to afford such an opportunity under applicable law. Thus, the in banc clarification of existing precedent was proper and did not deny Hollister of any rights.

ARGUMENT

I. The Federal Circuit Properly Applied Rule 52(a) And The *Anderson* Rule

The decision of the Federal Circuit is properly based upon a finding that the district court abused its discretion and that its findings were clearly erroneous under Rule 52(a) of the Federal Rules of Civil Procedure and the rule set forth in *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 105 S.Ct. 1504 (1985). The Federal Circuit properly reviewed all the evidence including objective evidence not considered by the district court, and found that the district court's findings were clearly erroneous and an abuse of the district court's discretion. (H.P. 9a)

The Federal Circuit correctly defined inequitable conduct as conduct which resides in failure to disclose material information, or submission of false material information, with an intent to deceive, which must be proven by clear and convincing evidence. (H.P. 9a) Further, the Federal Circuit correctly stated that the findings on materiality and intent are subject to the clearly erroneous standard of Rule 52(a) of the Federal Rules of Civil Procedure, and are not to be disturbed unless the Federal Circuit has a definite and firm conviction that a mistake has been committed. (H.P. 9a) This is the standard pronounced by this Court in *Anderson*. Specifically, *Anderson* cited *United States v. United States Gypsum Co.*, 333 U.S. 364, 68 S.Ct. 525 (1948) for the definition of clearly erroneous. In *Gypsum*, this Court stated:

> A finding is "clearly erroneous" when although there is evidence to support it, the reviewing court on the *entire evidence* is left with the definite and firm conviction that a mistake has been committed. (emphasis added)

Id. at 395.

Furthermore, this Court in *Anderson* citing *Gypsum* stated the following after setting forth the general rule that deference should be given to findings of a trial judge made on credibility determinations:

> This is not to suggest that the trial judge may insulate his findings from review by denominating them credibility determinations, for factors other than demeanor and inflection go into the decision whether or not to believe a witness. Documents or objective evidence may contradict the witness' story; or the story itself may be so internally inconsistent or implausible on its face that a reasonable factfinder would not credit it. Where such factors are present, the court of appeals may well find clear error even in a finding purportedly based on a credibility determination. *See, e.g., United States v. United States Gypsum Co., supra,* 333 U.S., at 396, 68 S.Ct., at 542.

470 U.S. at 575.

The Federal Circuit's decisions have been consistent with *Anderson:*

> [A] district court's expression of the basis for its ruling *may* reflect such error of fact or law as to require reversal of the judgment when the record reflects no support for such a basis. (original emphasis)

International Medical Prosthetics v. Gore Enterprises, 787 F.2d 572, 577 (Fed. Cir. 1986).

Hollister ignores the above well-settled law and attempts to infer that the meticulous review by the Federal Circuit is evidence that it substituted its own findings for those of the district court. However, this attack upon the Federal Circuit and its review is improper. As cautioned by Justice Powell in *Anderson v. City of Bessemer City, N.C.:*

> I write separately, however, because I am concerned that one may read the Court's opinion as implying criticism of the Court of Appeals for the very fact that it engaged in a comprehensive review of the entire record of this case. Such a reading may encourage overburdened Courts of Appeals simply to apply Rule 52(a) in a conclusory fashion, rather than to undertake the type of burdensome review that may be appropriate in some cases.

470 U.S. at 581. The Federal Circuit did not substitute fact findings as Hollister claims.

II. The Federal Circuit's Finding That The District Court Abused Its Discretion Is Based Upon A Review Of The Totality Of The Evidence

The Federal Circuit, in reviewing the evidence noted undisputed facts which indicated at most carelessness, but not intent to deceive:

1) the similarity in language of the two claims (unamended 50 and amended 50); (H.P. 10a)

2) the use of the same claim number, 50, for the amended and unamended claims; (H.P. 10a)

3) the multiplicity of claims involved in the prosecution of both applications; (H.P. 10a)

4) the examiner's failure to reject claims using "encircled" in the parent application's first and second office actions, making its presence in claim 43 (of the continuation application) something less than a glaring error; (H.P. 10a)

5) the two-year interval between the rejection/amendment of claim 50 and the filing of the continuation; (H.P. 10a)

6) failure of the examiner to reject claim 43 under § 112 or to notice the differences between claim 43 and amended claim 50 during what must be presumed, absent contrary evidence, to have been an examination of the continuation; (H.P. 10a)

7) the failure of Hollister to notice the lack of correspondence between claim 43 and the amended version of claim 50 during *three years of discovery* and until after it had carefully and critically reviewed the file history 10 to 15 times with an eye toward litigation; (H.P. 10a-11a) and

8) *experts for both parties testified that they saw no evidence of deceptive intent.* (H.P. 9a)

Further, the Federal Circuit found that Hollister's argument that the examiner did not examine the claims was in error.

> Hollister argues that the district court correctly determined that the examiner failed to examine the claims in the continuation application. What the district court "determined" was that there was no *evidence* that examination occurred. No finding on whether examination occurred was made by the district court, and, of course, none may be made by us. In view, however, of certain uncontested facts: (1) the absence of direct evidence that examination did not occur; (2) the presumption of correctness that attaches to administrative action; (3) Manual of Patent Examining Procedure, section 201.07 (requiring further examination of continuation applications); (4) 35 U.S.C. § 131 (requiring examination of each application;) (5) the examiner's search notes; (6) the examiner's initialing of the prior art statement; (7) the presence of seven never-before-examined claims; (8) the examiner's "see parent" notation; and (9) the submission of numerous old and newly-cited prior art references requiring comparison

> with all the claims, we decline to presume, as part of the intent analysis in this case, a failure of the examiner to perform his duty to examine the claims of Kingsdown's continuation application. (original emphasis) (H.P. 11a-12a)

Moreover, the court in a lengthy footnote pointed to direct evidence of examination. (H.P. 12a, n.8)

Hollister in its petition asserts that Squibb showed evidence of deceitful intent by continuing to assert claim 9 in the district court instead of dedicating, disclaiming or attempting to reissue the claim. The Federal Circuit more than adequately addressed the point by stating:

> [9] The district court, in finding intent, made a passing reference to Kingsdown's continuation of its suit after Hollister charged inequitable conduct. Hollister vigorously argues before us that Kingsdown's continuing its suit while failing to disclaim or reissue is proof of bad faith. A failure to disclaim or reissue in 1987, however, would not establish that Kingsdown acted in bad faith when it filed its continuation application in 1982. Moreover, a suggestion that patentees should abandon their suits, or disclaim or reissue, in response to every charge of inequitable conduct raised by an alleged infringer would be nothing short of ridiculous. The right of patentees to resist such charges must not be chilled to extinction by fear that a failure to disclaim or reissue will be used against them as evidence that their original intent was deceitful. Nor is there in the record any basis for expecting that any such disclaimer or reissue would cause Hollister to drop its inequitable conduct defense or refrain from reliance on such remedial action as support for that defense. Kingsdown's belief in its innocence meant that a court test of the inequitable conduct charge was inevitable and appropriate. A requirement for disclaimer

> or reissue to avoid adverse inferences would merely encourage the present proliferation of inequitable conduct charges.

(H.P. 15a)

The Federal Circuit did not, in violation of *Anderson*, make de novo substitution of its conclusions regarding the evidence, but simply applied the applicable legal standard to undisputed facts. As stated in *Anderson*, documents or objective evidence may contradict a witness' story and the court of appeals "may well find clear error even in a finding purportedly based on a credibility determination." 470 U.S. at 575.

Further, the Federal Circuit correctly emphasized that Squibb had no motive to mislabel claim 50 as "allowed" instead of "allowable". Confusingly, Hollister asserts that the mislabeling or mistake was an attempt by Squibb to recapture broad claim language in order to facilitate an argument that the claim read on Hollister's accused product. Specifically, Hollister argues that Squibb included claim 43 (unamended claim 50) in its continuing application because its chances of proving infringement of claim 43 were greater than its chances would have been of proving infringement of amended claim 50, in view of Hollister's "floating flange" argument against infringement of the latter. As pointed out by the Federal Circuit, the error in such an argument is that:

> Neither the court nor Hollister tells us how Kingsdown could have known in July 1982 what Hollister's defense would be years later, when suit was filed.

(H.P. 13a)

The Federal Circuit noted that a transfer of numerous claims *en masse* from a parent to a continuing application, is a ministerial act. In particular, the Federal Circuit stated:

> As such, it is more vulnerable to errors which by definition result from inattention, and is less likely to result from the scienter involved in the

> more egregious acts of omission and commission that have been seen as reflecting the deceitful intent element of inequitable conduct in our cases.

(H.P. 14a)

Furthermore, the Federal Circuit noted:

> It is not possible to counter the "I didn't know" excuse with a "should have known" accountability approach when faced with a pure error, which by definition is done unintentionally.

(H.P. 14a, n. 11)

The Federal Circuit found that the district court incorrectly inferred intent to mislead, in part, because it improperly focused in isolation on claim 9 in total disregard of the effect of other claims. (H.P. 14a) The district court made this inference of motive stating that Squibb needed claim 9 to assert infringement against Hollister. Squibb alleged infringement of claims 2, 4, 5, and 27 in addition to claim 9. Yet, incredibly the district court refused to consider infringement of the claims. The error of the district court is clear as stated by the Federal Circuit.

> The district court expressly stated that it "did not decide the issue of infringement." Because there has been no decision on whether any of claims 2, 4, 5, and 27 are infringed by Hollister's product, or on whether Kingsdown could have reasonably believed they are, it cannot at this stage be said that Kingsdown *needed* claim 9 to properly being suit for infringement. (original emphasis)

(H.P. 14a-15a)

Therefore, the Federal Circuit concluded:

> If it [Kingsdown] did not [need claim 9 for infringement], the district court's implication of sinister motivation and the court's inference of deceptive intent from Kingsdown's acts would collapse.

(H.P. 15a)

Further, the Federal Circuit noted:

> That [the above statement] would remain true even if the district court were ultimately to determine that claim 9 is actually indefinite.

(H.P. 15a, n.14)

And in support of the conclusion it also noted that:

> One of Hollister's attorneys rendered an opinion in which the amended language of claim 50 was not seen as freeing Hollister's device of infringement.

(H.P. 15a, n.13)

As set forth above, the Federal Circuit did not simply substitute its own findings for those of the district court. It is apparent that the Federal Circuit properly viewed the totality of the evidence and the Federal Circuit was forced to the definite and firm conviction that a mistake had been committed, amounting to an abuse of discretion. Therefore, the Federal Circuit properly found that the district court's finding of deceitful intent was clearly erroneous. Thus, the finding of inequitable conduct was an abuse of discretion.

III. Hollister Misconstrues The District Court's Holding To Support Inconsistent and Erroneous Arguments

The Federal Circuit has consistently held that the court reviews judgments, not opinions or phrases in opinions. *Chore-Time Equipment, Inc. v. Cumberland Corp.*, 713 F.2d 774, 781 (Fed. Cir. 1983); *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1572 (Fed. Cir. 1986); *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1556 (Fed. Cir. 1985).

On the one hand, Hollister argues that the district court made a finding of actual intent. On the other hand, Hollister argues that since the district court was only required to find gross negligence to support the intent element of inequitable conduct, it failed to address actual intent. Hollister asserts it was prejudiced because gross negligence would have

sufficed under the law it says existed before the Federal Circuit's opinion in this case.

Hollister's petition contains the following assertions:

> (1) He finally concluded that tainted claim 9 found its way into the patent as the result of an actual intent to deceive....

(H.P. 12)

> (2) While the district court here had found that gross negligence *would suffice* to establish intent, the district court actually found intent, not negligence. (original emphasis)

(H.P. 13)

> (3) [T]he district court found that Squibb intented to, and did, mislead the PTO....

(H.P. 14)

> (4) The district court studied documents, evaluated the credibility of witnesses, found that Squibb had acted intentionally and ruled for Hollister on that basis.

(H.P. 14)

> (5) In view of the district court's express determination that Squibb had acted knowingly, and not inadvertently....

(H.P. 20)

> (6) Rather, the district court found extensive objective evidence of actual intent to mislead.

(H.P. 21)

In fact, the sole finding relating to intent was in the context of gross negligence.[5] Nonetheless, Hollister makes the following

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[5] The district court stated, "This aspect of the case,the inequitable conduct aspect of the case, by allowing rejected claim language to find its way through a misrepresentation to the examiner into a patent, I believe clearly constitutes, clearly and convincingly, *inequitable conduct.* I believe that there is evidence of intent to mislead, because of the, as I stated, multiple times that Mr.Davis had to correct what he testified was an error." (emphasis added) (H.P. 26a)

statements in its petition in direct contradiction to its above outlined statements to support its argument of prejudice:

> (1) *It is unfair to deny Hollister, sub silentio, an opportunity to obtain actual intent to mislead findings from the district court* in that degree of detail which the district court would have provided in his [sic] findings had he [sic] known that such findings would be tested under the more stringent standard. (emphasis added)

(H.P. 24)

> (2) Aside from the district court's specific finding of intent to mislead . . . Here, *the district judge observed that the plaintiffs were guilty of, "at the very least," gross negligence. Because the district judge believed that gross negligence alone was sufficient under the law to establish the intent element of inequitable conduct, he was not required to (and did not) make more detailed findings on the evidence that supported his findings of actual intent to mislead.* (emphasis added)

(H.P. 25-26)

Hollister's argument that it has been prejudiced by the proceedings below is without merit. The district court found gross negligence and found evidence of intent. It found evidence of intent from repeated failure to catch the error and inferred deceptive intent to file claim 9 to cover Hollister's product. The Federal Circuit did not substitute fact-findings, but assessed the propriety of the district court's inferences made from a mere segment of the totality of the facts. This, an appellate court is clearly permitted to do on review.

Hollister also seeks at this late date to focus for the first time on an alleged admission by Squibb's counsel in a pretrial brief. Hollister did not rely on this alleged admission in the proceedings before the Federal Circuit. Now, Hollister criticizes the Federal Circuit opinion relying heavily on this

alleged admission. Hollister does not have the right to raise this as an issue at this late date. For,

> [i]t is well established that generally, absent a non-frivolous constitutional challenge, an issue cannot be raised for the first time in a judicial appeal.

Sanders v. United States Postal Service, 801 F.2d 1328, 1331-1332 (Fed. Cir. 1986).

Squibb will comment on this alleged admission. Hollister alleges that Squibb made an admission in, "Plaintiff's Response In Opposition to Defendant's Motion To Amend," a paper filed in the district court on April 4, 1987 before trial. Squibb's brief was filed in an attempt to prevent amendment of the answer and counterclaim after discovery had closed. Squibb, in it's response, outlined the dilatory tactics of Hollister in defining its defenses to infringement throughout discovery. The amendment to the answer and counterclaim raised for the first time the inequitable conduct defense. Inequitable conduct is a defense to infringement, and the basis for Hollister's allegations were contained in the prosecution history of the patent-in-suit, available to Hollister since July 17, 1984, a full three years before its motion to amend.

Second, Squibb attempted to show the court that the new allegation was not worth litigating because the mistake was not material and thus would not support inequitable conduct. The prosecution history showed that the examiner examined all of the claims, including several claims which were allowed after the examination and which were broader than the mislabeled claims 50 and 51, and therefore the error could not be material.

Squibb argued that there was a typographical error or inadvertence on the face of the document, without even having to consider the actual intent of Squibb as to which claims it wanted to file. Squibb noted that the use of "allowed" and "allowable" in the preliminary amendment was ambiguous. For example, the chart labeled "Number of Claims As Allowed" listed two dependent claims which were combined

into one claim in the continuation case. This new single claim could not have been previously allowed. There was also an indication that some dependent claims had been rewritten in independent from. A rewritten claim could not have been previously allowed. Squibb argued:

> On its face, there is an error but one can hardly conceive of an easier error to resolve. The document is ambiguous and the ambiguity is easily resolved by comparing the newly presented claims with the "allowable" and "allowed" claims 50 and 51 respectively in the parent case. That the error was both unintended and harmless is evidenced by the fact that the brand-new claims presented in the continuation application were allowed and that these claims are broader in scope than the claims being focused on by Defendant. The fact that the word "allowable" was intended is further evidenced by Applicant's statement that certain dependent claims had been *rewritten*. (original emphasis)

The evidence at trial was that the Squibb attorney intended that amended allowed claim 50 would be filed, not unamended claim 50. Hollister says this is inconsistent with the explanation of how the column was mislabeled in the opposition to the motion to amend. However, the proper reading of the brief is that the word "allowable" had to be intended when describing the dependent claims rewritten in independent form and the combined claim listed in the column because such claims, as written in the continuation, had never been passed on by the PTO and could not have had "allowed" status. Thus, there was ambiguity as to the status of all claims listed on the face of the document. Squibb argued that this ambiguity alone would have alerted the examiner to read all the claims and certainly would not have dissuaded him from performing his duty which required that he examine all the claims. Hollister's assertion of an admission is incorrect.

IV. The In Banc Ruling Of The Federal Circuit Clarifying The Existing Law Reversing The Decision Of The District Court Did Not Prejudice Hollister

The Federal Circuit clarified the law because some of its opinions had suggested that a finding of gross negligence compels a finding of intent to deceive where others had indicated that gross negligence alone did not mandate a finding of intent to deceive. This apparent inconsistency resulted from the fact that "gross negligence" had been used as a label for various patterns of conduct. However, as noted by the Federal Circuit, gross negligence is only definable in terms of a particular act or acts viewed in light of all the circumstances. Further, as stated by the Federal Circuit in its panel decision, pure error or ministerial mistakes "by definition result from inattention, and [are] less likely to result from the scienter involved in the more egregious acts of omission and commission which have been seen as reflecting the deceitful intent element of inequitable conduct in our cases." (H.P. 14a) As stated by the Federal Circuit,

> "Gross negligence" has been used as a label for various patterns of conduct. It is definable, however, only in terms of a particular act or acts viewed in light of all the circumstances. We adopt the view that a finding that particular conduct amounts to "gross negligence" does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive. See *Norton v. Curtiss* 433 F.2d 779, 167 U.S.P.Q. 532 (C.C.P.A. 1970).

(H.P. 16a)

For example, the Federal Circuit, in previous opinions when describing gross negligence which included actual withholding of highly material references with knowledge of the materiality, stated that the actor either knew or should have known the significance of his acts. This "known or

should have known standard" is therefore descriptive of such egregious acts. The problem, of course, is that the "known or should have known standard" also can be used to describe acts of simple negligence and was being used to the point that the Federal Circuit observed that "[t]he habit of charging inequitable conduct in almost ever major patent case has become an absolute plague." *Burlington Industries, Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988). The Federal Circuit confirmed in its in banc decision that inequitable conduct requires materiality and intent. Its in banc decision reflects its prior decisions which recite, "[t]o be guilty of inequitable conduct, one must have intended to act inequitably." *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987). Therefore, the Federal Circuit did not overrule precedent but merely clarified and rendered guidance to lower courts in applying the inequitable conduct standard. As in this case, the Federal Circuit has simply made it clear that pure errors or ministerial errors without more cannot suffice for a fact-finding of sufficient culpability for a finding of intent to deceive. An inference of intent to deceive from gross negligence must be based on an assessment of all the evidence, including evidence indicative of good faith, and must indicate sufficient culpability to require a finding of intent to deceive. Thus, each particular set of facts viewed in light of the circumstances determine whether an intent to deceive is supported. (H.P. 10a)

This in banc ruling does not change the law or prejudice Hollister. Furthermore, as admitted by Hollister, the Federal Circuit concluded in light of all the evidence relating to the intent element of inequitable conduct, "that the evidence did not warrant *either* a finding of gross negligence or a finding of actual intent to deceive." (original emphasis) (H.P. 13) Thus, assuming that the in banc ruling changed the law and raised the standard to actual intent to deceive, Hollister has not been prejudiced. Again, the Federal Circuit found that under either standard Squibb was not guilty of inequitable conduct. (H.P. 9a)

Hollister further complains that it was prejudiced by the in banc ruling by the Federal Circuit because neither party requested such a ruling. (H.P. 13) Of course, as supported by this Court, the Federal Circuit may decide a case in banc upon its own initiative. It is not required that either party request such an in banc hearing. As sanctioned by this Court in *Textile Mills Security Corp. v. Commissioner*, 314 U.S. 326, 62 S.Ct. 272 (1941), a court of appeals may meet in banc. Furthermore, this Court has stated that the courts of appeals are given wide latitude in deciding when to hear a case in banc. In *Western Pac. R. Corp. v. Western Pac. R. Co.*, 345 U.S. 247, 73 S.Ct. 656 (1953), this Court approved a possible procedure wherein a court of appeals might choose to initiate a hearing in banc upon its own accord. Further, this Court in that same case found that a court of appeals meeting in banc can also limit the number of issues it hears.

28 U.S.C. § 46(c) of the Judicial Code expressly authorizes the Federal Circuit to meet in banc. Also, Rule 35 of the Federal Rules of Appellate Procedure provide that a majority of the circuit judges who are in regular active service may order that an appeal or other proceeding be heard or reheard by the court of appeals in banc. This is so whether a party suggests or requests that a hearing be in banc.

Hollister also complains that neither party was heard by the in banc court. (H.P. 13) However, neither party is guaranteed a right to additional briefing or oral argument in the case. Rule 34(a) of the Rules of Appellate Procedure provides that oral argument may be denied or not required where the court finds that the (1) appeal is frivolous, or (2) the depositive issue or set of issues has been recently authoritatively decided, or (3) the facts and legal arguments are adequately presented in the briefs and record and the decisional process would not be significantly aided by oral argument.

Hollister cites *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 91 S.Ct. 1434 (1971), for the proposition that it should be allowed to adduce additional evidence on the issue of actual intent under the in banc holding and have the court make additional findings and conclusions of law. (H.P. 26) The application of the holding in *Blonder-Tongue Laboratories, Inc.* is inappropriate under the facts of this case. In that case, the district court held that the patents were valid and infringed. The defendant appealed, and the court of appeals affirmed as to one patent. This Court granted certiorari.

This Court held that the patentee was estopped to assert validity of a patent that had been declared invalid in a prior law suit in federal court against a different defendant unless the patentee could demonstrate that he did not have a full and fair opportunity, procedurally, and substantively, and evidentially to litigate the validity of a patent in the prior suit. Hollister asserts that its right to due process of law was violated by the "change" in the law it argues resulted from the in banc decision citing *Blonder-Tongue*. First as pointed out above, the Federal Circuit did not change the law. Second, the Court in *Blonder-Tongue* stated that the case before it did not involve due process questions. 402 U.S. 329-30. The case simply overruled the holding in *Triplett v. Lowell*, 297 U.S. 638, 56 S.Ct. 645 (1936), which concerned the concept of mutuality of estoppel. Under the mutuality of estoppel doctrine, unless both parties in a second action are bound by a judgment in a previous action, neither party in the second action may use a prior judgment as determinative of an issue in the second trial. As a result of this doctrine, relitigation of the validity of a patent claim previously held invalid in a suit against a different defendant was not precluded. This Court specifically stated that the case depended on the considerations weighing for and against permitting a patent holder to sue on his patent after it has once been held invalid following opportunity for full and fair trial. Specifically, this Court limited its holding to the following:

> The patentee, plaintiff, must be permitted to demonstrate, if he can, that he did not have a fair opportunity procedurally, substantively, and evidentially to pursue his claim the first time.

402 U.S. at 333.

This Court found that because of the *Triplett* precedent the petitioner did not plead estoppel and respondents never had an opportunity to challenge the appropriateness of such a plea. Thus, the court remanded the case because of the partial overruling of *Triplett*. The court specifically found that the petitioner should be allowed to amend its pleadings in the district court and to assert a plea of estoppel. Further, the respondents must then be permitted to amend their pleadings, and to supplement the record with any evidence showing why estoppel should not be imposed in the case.

In the above case, the defendant would have pled estoppel but for the *Triplett* case law precedent. In the present action between Squibb and Hollister, Hollister did not forego a pleading of inequitable conduct because of case law which the Federal Circuit later clarified. Further, there is no evidence that Hollister has been prejudiced by the clarification of the law. Again, as admitted in its Petition for Writ of Certiorari, Hollister states that the Federal Circuit found that on either standard, gross negligence alone or intent to deceive, Squibb's actions did not constitute inequitable conduct. Furthermore, Hollister did not forego pleading inequitable conduct, did not forego submitting evidence on inequitable conduct, and was not prejudiced by any clarification of law. Thus, *Blonder-Tongue* is not applicable to the present action. If Hollister's argument is sanctioned by this Court, then every time an appellate court clarifies a statute or existing precedent or creates new precedent, the unsuccessful litigant will have the right to relitigate the entire case. The courts cannot sanction such a rule because it would significantly disrupt economical timely administration of the judicial process.

The record shows that Hollister submitted all of its evidence and argued deceitful intent as well as gross negligence. Hollister hired Mr. Sears, a former PTO staff attorney and Deputy solicitor, to study the patent and testify on the inequitable conduct issue. However, on the issue of intent Mr. Sears volunteered in direct examination:

> Now, frankly, I don't have enough knowledge of what went on here to say that anybody harbored true deceptive intent. You can't get that from the patent office records, and it doesn't come through to me from whatever Steve Davis has testified to.

Mr. Sears confirmed on cross-examination that he saw no evidence of actual deceptive intent on the part of Mr. Davis. Hollister's request to this Court to change the Federal Circuit's reversal order to a vacated order is a request to be able to present evidence directly opposite to the evidence presented at trial and is unconscionable. Such tactics are certainly not supported by any precedent of this Court.

CONCLUSION

It is clear from the Federal Circuit opinion that it did not simply substitute its judgment for that of the trial court. The Federal Circuit ruled after it had thoroughly reviewed the uncontested facts and the totality of the circumstances including the meticulous listing of factors in which the district court either drew improper inferences from or ignored and concluded:

> We are forced to the definite and firm conviction that a mistake has been committed, amounting to an abuse of discretion. The district court's finding of deceitful intent was clearly erroneous.

(H.P. 15a)

The decision of the Federal Circuit is properly based on Rule 52(a) of the Federal Rules of Civil Procedure and the rule set forth in *Anderson v. City of Bessemer City, N.C.*

Hollister was in no manner constrained in its presentation of evidence and arguments and the in banc ruling of the Federal Circuit can certainly not be said to have prejudiced Hollister. There is simply no grounds for Hollister to request that a Writ of Certiorari be granted. Accordingly, Squibb respectfully prays for denial of the Petition for a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in its cause number 88-1265.

Respectfully submitted,

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